



THE STRATEGIC PLAN

**of the Indiana Public Retirement System (INPRS)
for the period of Fiscal Years 2014 – 2016**





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INTRODUCTION

FISCAL YEAR 2013 ACCOMPLISHMENTS

In FY 2013, the Indiana Public Retirement System (INPRS) was successful in accomplishing key strategic objectives that promote continuous improvement in the quality of services we provide to our stakeholders. INPRS finished the Public Employees' Retirement Fund (PERF)/Teachers' Retirement Fund (TRF) integration, allowing the consolidation of its Comprehensive Annual Financial Report (CAFR) and the Annuity Savings Account (ASA) fund structure. A common set of actuarial assumptions was adopted and implemented. INPRS also transitioned assets to a new risk-based asset allocation.

The Employer Reporting and Maintenance (ERM) system, the focus of many resources over the last several years, was deployed along with a new employer service model. INPRS initiated a vendor management function, advanced the implementation of enterprise risk management, and implemented social media policies and tools. Compliance policies and systems were advanced to ensure that solid controls are in place as INPRS leverages these accomplishments to take advantage of untapped opportunities.

MOVING INPRS FORWARD

On Jan. 22, 2013, Gov. Mike Pence delivered his first State of the State Address to the people of Indiana. In the opening paragraphs of the Address, Gov. Pence stated, *"If we will remain bold, confident and optimistic, I am positive we can lead our state from good to great."*

INPRS is uniquely poised to deliver the leadership it will take to support the Governor's goal. Our entity serves over 447,000 members and over 1,100 employers. Our combined pension and debt liability as a percentage of Gross Domestic Product (GDP) is the second lowest in the nation at 1.7 percent.¹ Our state has the lowest burden per household to fully fund public pensions in the nation.² And, many of the projects that consumed resources to modernize INPRS' systems are now completed.

However, we face challenges. Of every dollar of Indiana pension receipts, 36 percent comes from investment earnings, and market sentiment remains uncertain.³ Government Accounting Standards Board (GASB) rule changes could negatively impact employers' financial statements. Employers will rely on INPRS to determine the impact prior to implementation of the new standards and to provide guidance and education where needed. With much of the system modernization completed, finding the best ways to fully optimize the benefits of the new systems will be critical. Certainly, going from *good to great* is an imperative that INPRS has to pursue with every resource at its disposal.

¹Moody's January 2011 report

²The Revenue Demands of Public Employee Pension Promises

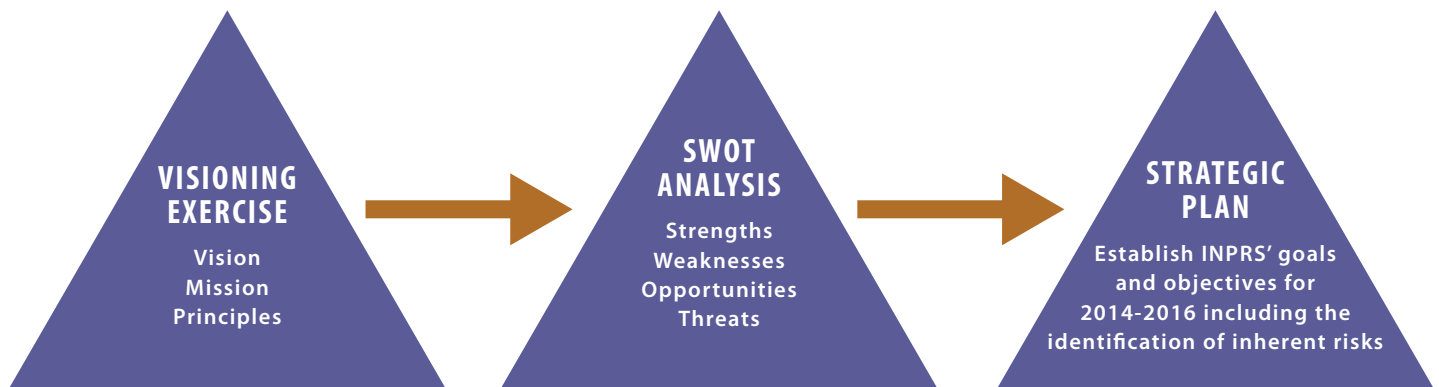
³National Institute on Retirement Security – Pensionomics 2012



Going from *good to great* will not happen unless we plan accordingly. Gov. Pence has created the Roadmap for Indiana to establish the specific goals of his administration. In like manner, INPRS' 2014-2016 Strategic Plan establishes the goals that will serve as our roadmap. To its credit, INPRS has previous success in reaching long sought-after goals; but, if we are not vigilant, this same success could lead us into a state of complacency. Instead, our success must serve as a springboard for propelling the entity boldly forward with confidence and optimism.

ENHANCEMENTS TO THE STRATEGIC PLANNING PROCESS

To help ensure that a state of complacency is not our outcome, we further refined the strategic planning process.



■ Visioning Exercise

We first examined the existing Vision, Mission, and Principles of INPRS to determine if they were appropriately stated to meet the challenges we know INPRS faces. The Vision is what INPRS *aspires to be*; the Mission is the *fundamental purpose of the entity*; the Principles are INPRS' *enduring values* that set the standards for the behaviors we will exhibit in striving to achieve the Vision and accomplishing our Mission.

During this examination, it became clear that some revisions were necessary to more clearly guide our future endeavors. Below are INPRS' revised Vision, Mission and Principles:

Vision

To be the premier institutional retirement system, respected by stakeholders, peers, and community.



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Mission

We advance the achievement of retirement security for current and future retirees and beneficiaries through our delivery of operational and investment excellence, exemplary customer service and trusted stakeholder communication.

Principles

Integrity. We hold ourselves and each other accountable to the highest standards of ethical behavior.

Stewardship. We prudently invest and manage the assets held in trust for current and future retirees. We rigorously identify, measure, and manage risk.

Best in Class Operations. We efficiently deliver accurate, timely retirement benefit payments and related services with attentiveness to high quality customer service. We focus on quality management and continuous improvement.

Trusted Source. We are our stakeholders' trusted source of reliable information about the role that INPRS plays in retirement preparation.

Collaboration and Shared Purpose. We value professionalism, teamwork and operational excellence. We seek out stakeholder input when setting priorities and balancing cost with value.

■ SWOT Analysis

The next step involved is performing a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis of INPRS. A SWOT analysis provides a holistic perspective of the entity with consideration for the favorable and unfavorable circumstances that influence it. The SWOT also indicates circumstances that INPRS should exploit or avoid. The overall objective of the SWOT is the development of an INPRS strategy that will align its resources to the environment in which it operates in its pursuit of stakeholder value.

■ Strategic Plan

The preceding steps cumulated in the creation of the 2014-2016 Strategic Plan objectives. Whereas the previous steps define our destination and establish the context, it is the creation of the objectives that will create the roadmap that will actually guide us to that destination.

There are many routes that one may take, but the SWOT analysis, done in the context of INPRS' Vision, Mission and Principles, strongly influences the choice of the best route. The INPRS



INTRODUCTION


management team took a systematic approach throughout the creation of the 2014-2016 Strategic Plan to arrive at a roadmap that will optimize value added by INPRS. The roadmap was determined by establishing objectives that build on our strengths, diminish weaknesses, exploit opportunities, but keep us ever mindful of the threats to the organization.

GAME-CHANGING INITIATIVES

Many of the objectives in the 2014-2016 Strategic Plan look to leverage the systems put in place by the modernization projects to deliver services to INPRS' stakeholders in a better, faster, and cheaper way. The modern call center technology that is now in place at INPRS opens up new opportunities to improve our interaction with members. A new defined benefit administration system (INPAS) will allow complex processes to be automated. INPRS will continue to integrate the ERM application into its support structure to increase its functionality for employers and INPRS personnel.

The new systems will require old processes to be reengineered and new processes to be created. The establishment of a quality management function will ensure that these processes take advantage of the opportunities for greater efficiency and improved outcomes that the new technologies make possible.

Finally, the role of third-party service providers is both significant and critical to INPRS' operations; therefore, the quality of the management of vendors is critical to our entity. The establishment of the vendor management function and future rollout of a vendor management program is a deliberate strategic decision to bring greater focus to appropriate management of third-party service providers throughout their lifecycle at INPRS.



GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 1: Ensure that members receive services and benefit payments accurately, timely, and efficiently.

Strategic Objectives

- Establish a long-term customer service delivery model that embraces the Center of Excellence (COE) concept that drives a culture of continuous quality improvement, cost management, flexibility, speed, dependability, and risk management.
 - Implement and manage a revised quality management process.
 - Implement a new post-modernization customer service delivery model.
 - Implement and manage new value-added metrics.
 - Increase and maximize member self-service options to include, but not limited to:
 - retirement initiation,
 - service purchases,
 - option changes, and
 - external submission and auto upload of document.
 - Map each operational process to a customer satisfaction point.
- Investigate and assess the steps required for INPRS to change the distributions of all benefit payments to members from printed checks to distribution by either ACH or debit card.

Key Operational Requirements

- Distribute accurate 1099-R documents by Jan. 31 of every year.
- Implement 401h administration for state of Indiana retirees as required by legislation.
- Implement a new print vendor.
- Track, trend, and report on complaint and escalated cases.




GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 1: Ensure that members receive services and benefit payments accurately, timely, and efficiently.

Key Operational Requirements, cont.

- Report timeliness and quality of payments to members.
 - Monthly payroll
 - Weekly payroll
 - Retirements
 - Disability
 - Death
 - Annuity Savings Account (ASA)
- Report timeliness of member contributions into their ASA accounts.



GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 2: Provide a variety of methods for members and employers to easily access accurate and timely information and educational programs.

Strategic Objectives

- Engage both Government Accounting Standards Board (GASB) and employers in order to validate the interpretation of GASB #68, acting as an advocate for the employers during this process.
- Beginning with the FY2014 actuarial valuation, proactively educate employers on the rationale of GASB #68 and develop the process to communicate information at established intervals to the employers so that they are fully prepared for reporting requirements of GASB #68 in FY2015.
- Educate members regarding actuarial factors and annuitization changes that may impact their retirement decisions.
- Educate members on making a conscious decision on ASA investments, and measure the percentage of members claiming to make an intentional decision.
- Lead the process to quantify need, demand, costs, risks and advisability of INPRS providing a member financial education services product.
- Restructure Outreach service delivery to meet increased demand for services offered at field locations.

Key Operational Requirements

- Conduct a general member survey annually to measure members' awareness and satisfaction of INPRS information and services.
- Provide Net Pension Obligation Reports to required employers through FY2014.
- Provide Annual Contribution Rate letters to employers.



GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 3: Accurately, timely and efficiently collect, maintain and account for contributions and information in order to sufficiently meet actuarial requirements.

Strategic Objectives

- Create actuarial files in alignment with the design of post-modernization systems to provide information to employers, enabling them to meet their new GASB requirements.
- Establish one employer rate for PERF funds to reduce the risk of rate spikes and provide a more consistent pension expense plan for employers.
- Develop a funding policy to determine contribution rates by employers to be implemented beginning with the FY2014 actuarial valuation.

Key Operational Requirements

- Request pension relief information from employers.
- Process requests for new units and enlargements biannually.
 - Investigate the opportunity to accept new units and enlargements throughout the year.
- Complete actuarial valuation reports annually.
- Establish employer contribution rates at or above the Actuarial Required Contribution (ARC) rates, annually.
- Track and report the timeliness of employer contributions. Explore opportunities to maintain employers' compliance within established contribution time frames.




GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 4: Accurately, timely and efficiently maintain financial statements and reports to ensure compliance with industry standards.

Key Operational Requirements

- Create/maintain accounting policies and procedures and ensure adherence to result in compliance with GAAP (Generally Accepted Accounting Principles) and GASB (Governmental Accounting Standards Board).
 - Obtain an annual unqualified opinion from the State Board of Accounts (SBoA).
 - Obtain an annual GFOA (Government Finance Officers Association) certification of the Comprehensive Annual Financial Report (CAFR).
 - Be compliant with GASB #67 in FY2014 and GASB #68 in FY2015.
- Finalize the monthly financial statement close package by 12th business day.
- Publish the INPRS CAFR annually.
- Ensure that any audit findings or control issues identified in the annual (SBoA) audit have action plans developed to correct the deficiency or material weakness within 30 days after the close of the audit.



GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 5: Implement and maintain modern business processes and technologies that support accurate, timely and efficient service in a secure environment.

Strategic Objectives

- Implement a post-modernization IT organizational structure to best support ongoing INPRS technology needs.
- Develop and deploy a new defined benefit administration system (INPAS) with 80 percent automation of retirement processing and final benefit adjustment.
- Continue integration of the ERM application into the IT support structure to improve employer and INPRS functionality.
- Design, build and deploy a data warehouse and business intelligence infrastructure to enable enhanced reporting and dashboarding capabilities across primary enterprise functions.
- Develop a long-range technology roadmap based on input from business units regarding the ongoing application of technology to stakeholder needs.
- Identify and develop data sources and publish value added metrics on key IT delivery processes that quantify specific business value to the organization.
- Continue the maturation of IT Governance and IT project initiation to more effectively deliver technology for INPRS.
- Enhance security focus to ensure the privacy, security and availability of data including the definition of a formal security role within the IT organization.
- Establish data integrity and data quality as a core component of all IT processes.

Key Operational Requirements

- At least annually, perform internal and external security access audits to ensure customer and staff security.



GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 6: Develop and maintain a Defined Benefit (DB) asset allocation that prudently invests assets to achieve a net rate of return equal to the actuarial assumed rate of return, greater than the asset allocation benchmark, and sufficient to pay all benefit obligations within accepted risk and cost parameters.

Strategic Objectives

- Perform an asset / liability study in order to further obtain greater depth of refinements.
 - Include correlation of Indiana GDP / Sales when determining asset allocation.
- Fully research and recommend whether or not INPRS should manage money internally. If so, determine asset classes and begin implementation.
- Develop a “SAFE” mode plan in order to quickly rebalance the investment portfolio in response to anticipated or actual major shifts in global market conditions and/or negative political events.
- Conclude INPRS philosophy regarding active vs. passive management.

Key Operational Requirements

- Achieve the Defined Benefit (DB) Investment targets and metrics.
- Monitor the compliance matrix for the Investment Policy Statement (IPS).
- Complete Investment Department-specific contingency planning.
- Review and evaluate the vendor risk of INPRS’ Custodian (financial health, continuing operations etc.).
- Annually, conduct a review of investment management fees, including but not limited to the benchmarking fees as compared to other public pension funds.
- Perform a complete trading cost analysis (see Addendum 3.5 of IPS).
- Complete full “Understanding INPRS’ Fees” white paper.
- Address home country bias in the fixed income portfolio.
- Review the cash overlay program. Determine the appropriate structure and allocation.



GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 6: Develop and maintain a Defined Benefit (DB) asset allocation that prudently invests assets to achieve a net rate of return equal to the actuarial assumed rate of return, greater than the asset allocation benchmark, and sufficient to pay all benefit obligations within accepted risk and cost parameters.

Key Operational Requirements, cont.

- Transition from risk monitoring to risk management through risk rebalancing optimization.
- Improve reporting and communication to the Executive Director and the Board.
- Complete the Annual IPS Review.



GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 7: Provide a variety of Annuity Savings Account (ASA) and Defined Contribution (DC) fund options and achieve rates of returns equal or greater than the fund options' benchmark.

Strategic Objectives

- Perform an annual review of ASA and DC fund options, including glidepath (asset allocation) assumptions for target date funds.
- Research the next generation of ASA options such as Stable Value, Risk Parity, Real Assets, and Consolidated Retirement Investment Fund (CRIF). Implement where appropriate.
- Evaluate the benefits and detriments of self-directed brokerage accounts in the ASA. Implement if warranted.
- Evaluate the benefits and detriments of auto-acceleration for ASA only participants. Implement if warranted.
- Perform research on feasibility of a ROTH option in the ASA. Implement if warranted.
- Seek plan sponsor input on ASA structure: Guaranteed Fund, potential new choices, and allocation of administrative costs between member and employer.

Key Operational Requirements

- Achieve ASA metrics.
- Annually, conduct a review of investment fees.



GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 8: Ensure sufficient monies are available to meet cash flow requirements.

Key Operational Requirements

- Provide all pension benefits, member refunds, administrative payments and all other payments from available cash balances without unplanned and/or premature liquidation of desired investment assets.
- Complete a liquidity analysis of plans, taking into consideration projected cash out flows and the liquidity position of the investment portfolio on an annual basis.
- Provide investments with rolling 6-month cash flow forecasts at least quarterly, reflecting incoming contributions and outgoing disbursements.



GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 9: Maintain stakeholder trust through effective communications and collaborative relationships.

Strategic Objectives

- Maintain an effective reputation monitoring and management process that provides information to management and staff regarding stakeholder perceptions as well as opportunities to improve relationships.
- Engage retirees and benefit recipients in two-way dialogue leading to INPRS' awareness of their satisfaction and perceptions of INPRS' reputation and trustworthiness.
- Enhance interaction and communication with members through an effective mix of both print and online tools such as e-mail, Web functionality, and social media.

Key Operational Requirements

- Maintain ongoing stakeholder advisory groups including employers, members, key stakeholders, etc., from which to elicit feedback and encourage dialogue.
- Maintain a stakeholder satisfaction measurement system, including actionable data from which to empower staff to improve service. Measure by the annual implementation of the stakeholder-targeted system of surveys, including the annual statistical analysis of satisfaction drivers.



GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS


Goal 10: Implement leading governance and proactive business processes needed to achieve goals.

Strategic Objectives

- Create a quality management program and a plan for implementation throughout INPRS.
- Leveraging quality and risk management, develop and deploy value added metrics for key functions, processes, and risks across INPRS.
- Identify additional benchmarking in the financial services industry and other areas that will provide insight and continuous improvement ideas.
- Create a comprehensive INPRS continuing operations and disaster recovery plan, which will be stress-tested annually.
- Establish a vendor management program focusing on procurement, contracting, compliance, and ownership and accountability for outcomes.
- Complete an analysis of the record keeper industry, and create a plan for procurement of these services.
- Enhance project portfolio coordination encompassing INPRS project methodology, project prioritization, resource allocation, and status reporting.
- Enhance the comprehensive INPRS compliance program to ensure compliance with all federal and state requirements.
- Enhance the Internal Audit department to comply with all relevant IIA standards, and validate through Internal Audit Quality Assurance Program.
- Enhance the integrated fraud program that will consider whistleblower input, and include annual training, quarterly articles on the INPRS intranet (PATI), specific fraud testing in each audit, and implement quarterly fraud testing in specific areas.

Key Operational Requirements

- Complete the biennial review of Board governance documents.
- Determine appropriate Board education and implement annually.



GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 10: Implement leading governance and proactive business processes needed to achieve goals.

Key Operational Requirements, cont.

- Acquire Board approval on all legislative and regulatory obligations.
- Maintain a strategic plan on a three-year time horizon to be updated annually.
- Complete a risk assessment on the Strategic Plan, assess and prioritize risks, complete deep dives identified for each fiscal year, and facilitate risk owners' reporting on decisions related to risk.
- Complete a risk assessment of the organization and develop an annual audit plan.



GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 11: Recruit, retain, train, and develop a workforce needed to achieve goals.

Strategic Objectives

- Enhance the Enterprise Training Plan based upon the consolidated review of individual training needs (Career Action Plan [CAP]) and needs identified by management.
- Establish a comprehensive recruiting plan, and implement to achieve the post-modernization state staffing.
- Utilize succession planning to identify key contributors and position risks, and implement a compensation plan and training plan to address retention and development.

Key Operational Requirements

- Complete an annual employee survey and create action plans to address employee concerns to improve employee retention and performance.
- Complete annual salary surveys to measure compensation to the market.



GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS


Goal 12: Ensure an effective operating cost structure and cash flow needed to achieve goals.

Strategic Objectives

- Complete a cost structure comparison of INPRS to the new Public Pension Plan (CEM) peer group.
- Enhance the budgeting and forecasting processes, including the evaluation of the need for a new supporting system.

Key Operational Requirements

- Establish an operating budget to be approved by the Board no later than June 30 of each year.
- Report financial performance to the budget at every Board meeting, including a forecast of spending for the remainder of the budget year.
- Participate in the annual CEM survey. Coordinate responses to the survey and complete a plan for consideration of improvement recommendations and cost issues.



GOALS, OBJECTIVES & KEY OPERATIONAL REQUIREMENTS

Goal 13: Advocate for and implement legislative and regulatory policies needed to achieve goals.

Strategic Objectives

- Enhance the coordination of INPRS development and implementation of legislature and regulatory policies to lower costs to the funds, create greater efficiencies within INPRS operations, and enhance customer satisfaction.
- Establish a comprehensive plan to review and assess federal statute and regulatory environment and changes that could or will impact INPRS members and employers.

Key Operational Requirements

- Conduct a review of Indiana Code for changes needed to achieve INPRS' mission and strategic goals at least annually in advance of the Pension Management Oversight Commission's (PMOC) annual meetings.
- Provide all reports as required by Indiana Code to the Administrative and Legislative branches of Indiana state government.
- Track and communicate pending legislation during legislative sessions to prepare INPRS staff for any required implementations or impacts.
- Respond to requests from the Legislative Services Agency (LSA) within timeframes mutually agreed upon between INPRS and LSA to enable appropriate review and response.
- Train INPRS functional departments to enable implementation of all legislative changes by their required implementation dates.
- Complete a monthly review of the nature of member benefit appeals and complaints to assess the need for change to code policies, processes and procedures.